

AMENDED IN ASSEMBLY AUGUST 16, 1999

AMENDED IN SENATE MAY 28, 1999

AMENDED IN SENATE APRIL 28, 1999

AMENDED IN SENATE APRIL 14, 1999

SENATE BILL

No. 527

Introduced by Senator Speier

February 19, 1999

~~An act to add Article 5.5 (commencing with Section 11629.7) to Chapter 1 of Part 3 of Division 2 of the Insurance Code, relating to automobile insurance. An act relating to automobile insurance.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 527, as amended, Speier. Automobile insurance: low-cost policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, known as the assigned risk plan, to provide automobile insurance to those otherwise unable to obtain coverage.

~~This bill would require insurers that participate in the assigned risk plan to also participate in a plan established by the Insurance Commissioner to offer a low-cost automobile insurance policy. The low-cost automobile insurance policy would be one of 2 types, either a preferred driver AA policy~~

~~or a preferred driver A policy, depending upon the eligibility of the insured, as specified. Either type of low-cost policy would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to property. Either type of policy would satisfy the financial responsibility laws.~~

~~The bill would provide that the preferred driver AA and the preferred driver A policies would be sold for unspecified annual premiums, to be adjusted, as specified.~~

~~The bill would set forth related provisions, including a provision requiring a policy applicant to certify, under penalty of a misdemeanor, the accuracy of certain documents supporting the person's application. By creating a new crime, this bill would impose a state-mandated local program.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~*This bill would state legislative findings and declarations regarding the need for an actuarially sound, low-cost automobile insurance policy to be made available to low-income good drivers in the state.*~~

~~Vote: majority. Appropriation: no. Fiscal committee: —yes no. State-mandated local program: —yes no.~~

The people of the State of California do enact as follows:

~~1 SECTION 1. Article 5.5 (commencing with Section
2 11629.7) is added to Chapter 1 of Part 3 of Division 2 of the
3 Insurance Code, to read:~~

~~4 SECTION 1. The Legislature finds and declares as
5 follows:~~

~~6 (a) Despite the legal requirement for automobile
7 liability insurance, there are in excess of three million
8 uninsured motorists in California leading to increased risk
9 and cost for all of the state's motorists.~~



(b) Based on research conducted by the Department of Insurance, a significant percentage of uninsured motorists do not buy insurance because of its high cost and would purchase an affordable insurance policy, if available.

(c) For these reasons, the Legislature finds and declares that it is essential to the health, safety, and welfare of all Californians, that an actuarially sound, low-cost policy be made available to low-income good drivers in this state.

~~Article 5.5. Low-Cost Automobile Insurance Policies~~

~~11629.7. As used in this article:~~

~~(a) “Low-cost automobile insurance policy” means either a preferred driver AA policy or a preferred driver A policy.~~

~~(b) “Preferred driver AA policy” means a policy of low-cost automobile insurance that has all of the following attributes:~~

~~(1) The policy covers only the person or persons named in the policy, and excludes any other person or persons who may use a vehicle covered thereunder.~~

~~(2) The policy affords coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of, all persons as a result of any one accident, and the amount of three thousand dollars (\$3,000) for damage to property of others as a result of any one accident.~~

~~(3) The policy provides coverage for a vehicle that is driven 14,000 miles per year or less, irrespective of the number of insured drivers under the policy.~~

~~(4) The initial annual premium for the policy is _____ dollars (\$_____), which shall be payable in 12 equal monthly installments. The premium shall be revised every two years as described in Section 11629.77.~~

~~(c) “Preferred driver A policy” means a policy of low cost automobile insurance that has all of the following attributes:~~

~~(1) The policy covers only the person or persons named in the policy, and excludes any other person or persons who may use a vehicle covered thereunder.~~

~~(2) The policy affords coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of, all persons as a result of any one accident, and the amount of three thousand dollars (\$3,000) for damage to property of others as a result of any one accident.~~

~~(3) The policy provides coverage for a vehicle that is driven 14,000 miles per year or less, irrespective of the number of insured drivers under the policy.~~

~~(4) The initial annual premium for the policy is _____ dollars (\$_____), which shall be payable in 12 equal monthly installments. The premium shall be revised every two years as described in Section 11629.77.~~

~~11629.71. There is established, within the California Assigned Risk Plan established under Section 11620, a low cost automobile insurance plan. The commissioner, after a public hearing, shall approve or issue a reasonable plan for the equitable apportionment, among insurers required to participate in the plan established under Section 11620, of persons eligible to purchase a low cost automobile insurance policy. The low cost automobile insurance plan shall be conducted in conjunction with the plan established under Section 11620.~~

~~11629.72. A low cost automobile insurance policy shall only be available for purchase by persons who satisfy the following eligibility requirements:~~

~~(a) To purchase a preferred driver AA policy, a person shall meet all of the following eligibility requirements:~~

~~(1) The person shall be in a family with a gross annual household income equal to or less than 200 percent of the federal poverty level.~~

~~(2) The person shall have continuously possessed a valid driver's license for five years prior to the date of the application for the policy and shall have no at-fault accidents in the previous five years.~~

~~(3) The person shall have no point violations in the previous three years.~~

~~(4) The person shall have no felony or misdemeanor convictions resulting from violations of the Vehicle Code on his or her driving record.~~

~~(b) To purchase a preferred driver A policy, a person shall meet all of the following eligibility requirements:~~

~~(1) The person shall be in a family with a gross annual household income equal to or less than 200 percent of the federal poverty level.~~

~~(2) The person shall have continuously possessed a valid driver's license for five years prior to the date of the application for the policy and shall have not more than one of either, but not both, of the following:~~

~~(A) A property damage only accident in which the driver was principally at fault in the previous five years.~~

~~(B) A point for a moving violation in the previous three years.~~

~~(3) The person shall not have on record with the Department of Motor Vehicles, an at-fault accident involving bodily injury or death.~~

~~(4) The person shall have no felony or misdemeanor convictions resulting from violations of the Vehicle Code on his or her driving record.~~

~~11629.73. (a) The applicant, in order to demonstrate eligibility to purchase a low-cost automobile insurance policy, shall present to a participating insurer or agent thereof at the time of applying for the policy, a copy of the applicant's most recent federal and state income tax return and a copy of his or her driving record from the Department of Motor Vehicles. The applicant shall certify, under penalty of a misdemeanor, that the representation made in those documents and in the application for the policy are true, correct, and contain no material omissions of fact to the best knowledge and belief of the applicant.~~

~~(b) The participating insurer or agent thereof shall forward the application, supporting documents, and the applicant's certification to the plan established under Section 11620.~~

~~11629.74. For a policy issued pursuant to this article, insurance agents and brokers shall be entitled to the same commission as the commission paid by the California Automobile Assigned Risk Plan for private passenger, nonfleet risks. No other fees may be charged or collected by an agent or broker in this regard.~~

~~11629.75. (a) A low-cost automobile insurance policy shall be canceled or not renewed only for the following reasons:~~

~~(1) Nonpayment of premium.~~

~~(2) Fraud or material misrepresentation affecting the policy or the insured.~~

~~(3) A substantial increase in the hazard insured against.~~

~~(4) The insured no longer meets the applicable eligibility requirements.~~

~~(5) The insured vehicle, while being operated by a driver other than the insured, is involved in an accident resulting in damage to property, bodily injury, or death, and the driver is determined to have been principally at fault.~~

~~(b) A person whose policy has been canceled or not renewed for either of the reasons described in paragraphs (2) and (5) shall not be eligible to purchase another low-cost automobile insurance policy for a period of five years after that cancellation or nonrenewal.~~

~~11629.76. A low-cost automobile insurance policy shall, notwithstanding the coverage amounts required by Section 16056 of the Vehicle Code, satisfy the financial responsibility requirements of Section 16021 of the Vehicle Code.~~

~~11629.77. (a) The annual premiums charged for a low-cost automobile insurance policy shall be revised every two years to reflect changes in the California Consumer Price Index and to reflect changes in historical risk and loss patterns of like policyholders.~~

~~(b) In this regard, any rating plan established to determine historical risk and loss patterns, which uses a factor for frequency of accidents and a factor for severity of losses, shall comply with the following requirements:~~

~~(1) When calculating the factor for frequency of accidents for preferred driver AA policyholders, only the actual or expected number of claims from accidents caused by current or expected preferred driver AA policyholders in the state shall be used. In addition, the number of “earned premium years” for those purposes shall be calculated as the number of earned premium years for those policyholders only.~~

~~(2) When calculating the factor for frequency of accidents for preferred driver A policyholders, only the actual or expected number of claims from accidents caused by current or expected preferred driver A policyholders in the state shall be used. In addition, the number of “earned premium years” for those purposes shall be calculated as the number of earned premium years for those policyholders only.~~

~~(3) When calculating the factor for severity of losses for preferred driver AA policyholders, only the actual or expected severity of losses incurred or expected to be incurred by preferred driver AA policyholders in the state shall be used.~~

~~(4) When calculating the factor for severity of losses for preferred driver A policyholders, only the actual or expected severity of losses incurred or expected to be incurred by preferred driver A policyholders in the state shall be used.~~

~~11629.78. The commissioner may adopt rules necessary to implement this article.~~

~~SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition~~

1 ~~of a crime within the meaning of Section 6 of Article~~
2 ~~XIII B of the California Constitution.~~

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